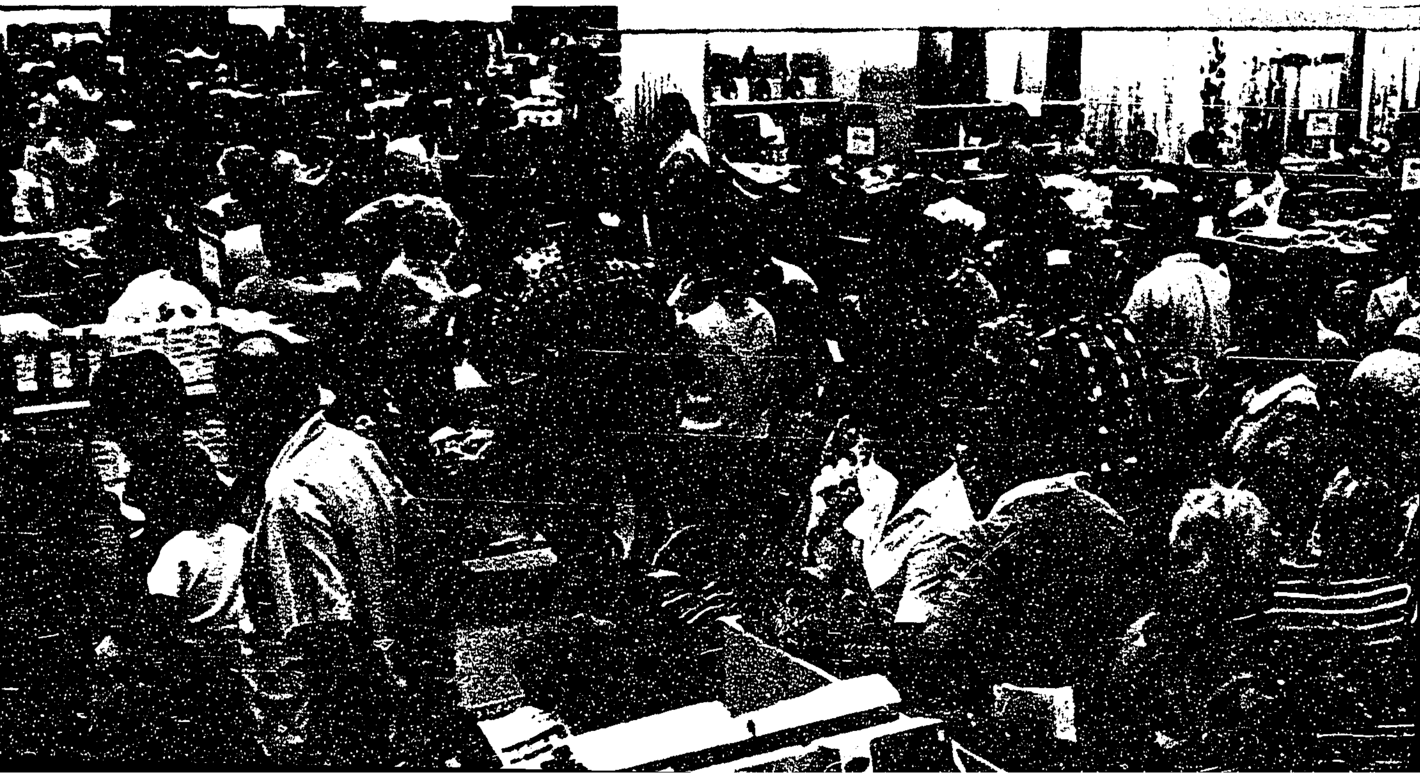
Annual Report 1969

The JEWEL COMPANIES

Diversified Retailers

Serving 7 Million Customers a Week



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RESULTS IN BRIEF
JEWEL COMPANIES, INC.

	1969 % to Total	Fiscal Year 1969	Fiscal Year 1968	% Increase 1969 Over 1968
(Total dollars in thousands except per share figures)				
Sales:				
Supermarkets	75.8%	$1,109,920	$1,016,655	9.2%
Drug Stores	11.0	160,456	135,745	18.2
Direct Marketing Division	5.4	79,672	83,503	(4.6)
Self-Service Department Stores	5.2	76,362	58,991	29.4
Restaurants	1.0	14,963	15,600	(4.1)
Wholesale and other	1.6	22,945	22,225	3.2
Total sales	100.0%	1,464,318	1,332,719	9.9%
Earnings Before Income Taxes and Foreign Net Earnings		40,048	38,123	5.0
Foreign Net Earnings		805	110	
Net Earnings for the Year		21,416	20,021	7.0
Percent to total sales		1.5%	1.5%	
Earned Per Share of Common Stock		$3.22	$3.01	7.0
Cash Dividends Per Share of Common Stock		1.45	1.35	7.4
New Property, Plant and Equipment (net):				
Operating companies		$ 37,722	$ 24,185	
Real estate affiliates		7,399	11,743	

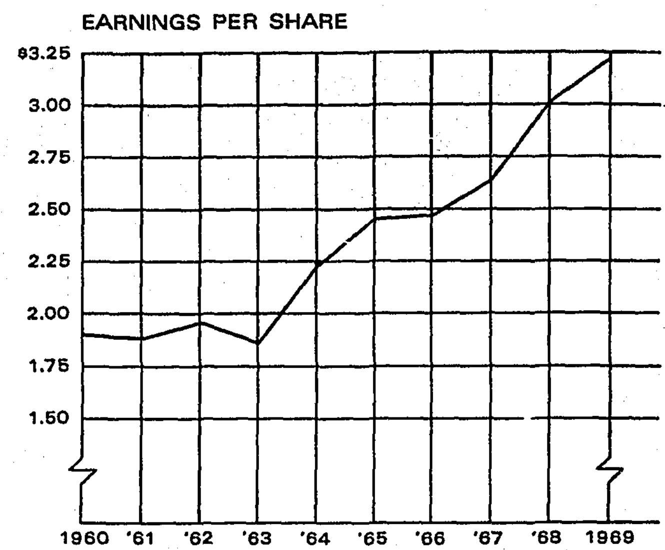
	As of Jan. 31, 1970	As of Feb. 1, 1969
Net Working Capital (in thousands)	$ 52,929	$ 64,652
Ratio of Current Assets to Current Liabilities	1.5 to 1	1.7 to 1
Stockholders	14,221	14,093
Common Shares Outstanding (average in thousands)	6,613	6,605
Full-Time Employees	19,766	18,812

THE CONTINUING TREND

Sales for the year ended January 31, 1970 totaled $1,464,318,000, an increase of $131,598,000, or 9.9% over the prior year.

Net earnings were $21,416,000 compared to $20,021,000 in 1968, a gain of 7.0%. Earnings per share were $3.22 or 21¢ per share higher than in 1968. This is the sixth consecutive annual per share earnings improvement. During this period sales have grown at a compound growth rate of 10.6% and earnings at a rate of 9.7%.

The common stock dividend payable September 30, 1969 was increased to 37½¢ a share from 35¢ a share, and now is at the annual rate of $1.50 per share.



RESOURCE MANAGEMENT VERSUS RESOURCE ALLOCATION

Jewel Companies is composed of nine independently managed companies offering an ever-growing range of consumer goods and services and operating in an increasingly varied number of geographical regions. We believe that the entrepreneurial spirit of individuals can best be stimulated through this autonomous method of operating. Each of the Jewel companies is charged with managing its human and financial resources to generate the return required for Jewel Companies, Inc. to grow profitably. Each of these companies is continually measured by its return on investment. Thus the individual Jewel companies compete with each other for effective resource management.

While the operating companies are charged with the responsibility of managing their resources, the Jewel Companies corporate management is responsible for the reallocation of human and financial resources to operating Jewel companies or to new ventures, where opportunities exist for increased service and an increased return. For example, during this past year twenty key management people moved from one of the Jewel companies to another or to the corporate staff. The same mobility is present in terms of financial resource allocations. In 1969, funds generated in the Direct Marketing Division and Jewel Food Stores, in effect, were used to build Turn-Style Family Centers, Osco Drug Stores, and White Hen Pantries.

CHANGING COMPLEXION

Broadening of the ways in which we serve ever-changing needs and desires of consumers continues to change the complexion of Jewel. Contribution to operating earnings (before interest, corporate expenses, and federal income taxes) from drug and self-service department stores in 1969 was 20.2% higher than in 1968 on a sales gain of 21.6%. Our four supermarket companies had a gain in operating earnings of 6.4% in 1969; the sales gains amounted to 9.2%.

The changing complexion of Jewel is also illustrated by new ventures and operations which will reflect themselves in important earnings contributions during the 1970's. In 1969, Jewel increased its foreign investment with the purchase of an interest in Midco, S.A., a Mexican-owned operator of shopping centers, retail stores, and restaurants in Mexico City. Earnings of this operation since its purchase have been most gratifying and they are expected to make a significant addition to earnings in the year ahead. In addition, in 1969 the self-service Belgian discount chain, Super Bazar, was merged into G. B. Entreprises, a diversified retailer, in which Jewel now owns an 18.2% interest and is that Company's largest stockholder. Dividends from this rapidly expanding Belgian operation added 5¢ a share to earnings in 1969, compared to 3¢ in 1968. During 1969, Jewel's interest in a retail company located in Spain was sold with no effect on earnings.

FOOD SERVICE DEVELOPMENTS

In January, 1970, Jewel announced a joint venture with Food Host U.S.A., Inc. to own and operate fast-food, family-style restaurants in the Chicago metropolitan area, under the name of King's Food Host U.S.A.

This venture, along with Brigham's, a chain of 40 ice cream and candy shops and 54 ice cream and sandwich shops which had sales of $14,675,000 in 1969, will enable Jewel to serve more of the growing food service market.

Jewel has also tapped the increasing demand for prepared food with the addition of Chef's Kitchens in many of the Jewel Food Stores. These Chef's Kitchens serve a wide variety of sandwiches, cold cuts, catered party trays, fried chicken, etc. Sales of these Chef's Kitchens (included in total supermarket sales) were over $14,500,000 in 1969, an increase of 60% above 1968. In addition, Star Market and Eisner Food Stores have been adding similar operations to serve this growing market. We are pleased with these trends and expect sales of prepared food to continue growing in the future.

GEOGRAPHIC EXPANSION

In 1970, Jewel's geographical expansion will continue with Turn-Style slated to start store construction in the Indianapolis, Indiana, and Grand Rapids, Michigan, markets. Twenty-two new Osco Drug Stores, including openings in twelve markets not now served, are also planned. White Hen Pantries, which this year began operations in New England, will continue that expansion and also will open its first stores in Wisconsin during 1970. Jewel Food Stores, Buttrey, Eisner, Star and Brigham's also plan to serve new markets during 1970. A summary of this geographical expansion is included in the chart on Page 7.

GREATER GROWTH AHEAD

	Planned 1970	*1969 Openings*
Supermarkets	30	20
Drug Stores	22	21
Turn-Style Self-Service Department Stores	4	4
Brigham's	27	15
White Hen Pantries	35	21
King's Food Host U.S A.	10	0

1970 OUTLOOK

While most economic projections are pessimistic about 1970, we continue to budget an upward trend in sales and earnings. We believe Jewel sales will be less affected by a slowdown in the economy than retailing generally because of our emphasis on consumable goods. We anticipate increased labor costs in 1970 and these serve to reinforce our commitment to self-service retailing through high volume, low margin stores.

During the next three years, total investment is projected at $177,000,000, reflecting our continued optimism in our ability to grow at a profitable rate. Although we project that internally-generated funds plus the final receipt in 1970 of $10,000,000 of a $30,000,000 insurance company loan will provide a substantial amount of the investment funds required for this expansion, we are currently studying alternative methods of financing.

We wish to thank every individual whose accomplishments in 1969 provided the outstanding results detailed in this report, and more importantly, we are encouraged with their ideas, enthusiasm and dedication as we look toward the future.

G. L. Clements

G. L. Clements
Chairman of the Board

D S Perkins

D. S. Perkins
President

F J Lunding

F. J. Lunding
Chairman, Finance Committee

GROWTH in the decade of the 60's was the most exciting and rewarding of any comparable period in the 71 years of Jewel's business life.

- In 1960 Jewel served 1,975,000 customers per week. At the start of 1970 we are serving nearly 7,000,000 per week.

- From 10,300 separate items of merchandise offered customers in 1960, Jewel is now offering almost 75,000.

- A $1 billion growth in sales was achieved during the ten years 1960-1969, of which more than three-quarters was internally generated; the remainder the result of acquisitions.

- At the start of 1960 the then Jewel Tea Co., Inc. was operating 274 stores in 3 states. At the end of the decade Jewel companies were operating 733 stores in 17 states.

- Jewel net income in 1959 of $8,500,000 grew to $21,400,000 in the latest fiscal year.

- Dividends paid shareholders in 1959 amounted to $.80 per share, adjusted for stock splits. At the end of 1969 the annual rate was $1.50.

HOW IT ALL WAS ACCOMPLISHED

Jewel Companies, Inc. began the 60's as the Jewel Tea Co., Inc., primarily a regional grocery chain serving the Chicago Metropolitan area and Central Illinois, and, in addition, serving 38 states with the then Home Service Routes Division.

ACQUISITIONS played an important role in the diversification attained in the 60's. The following acquisitions both broadened Jewel's geographical base and added new dimensions in product lines sold:

1960
- A minority interest in newly-formed Supermarchés G. B. in Belgium.

1961
- Osco Drug, Inc., a 31-store promotional drug chain.
- A minority interest in newly-formed Super Bazars, a self-service department store chain located in Belgium.

1962
- Turn-Style Corporation, operator of four general merchandise discount stores serving the Boston Metropolitan area.

1964
- Star Markets, headquartered in Cambridge, Mass., operator of food stores in the Boston area.
- Brigham's, Inc., a chain of ice cream, candy and sandwich shops in the Boston area.
- A minority interest in newly-formed Stella Supermarkets, headquartered in Milan, Italy.

1966
- Buttrey Food Stores located in Montana and Idaho.

1969
- A minority interest in Midco, S.A., operator of self-service department stores, supermarkets and restaurants in and around Mexico City.

INTERNAL GROWTH proceeded, with sales gains of traditional supermarkets being substantially aided by additions of promotional general merchandising activities. In 1961 the first Jewel-Osco unit was opened in Chicago, Illinois. In 1962 the first Turn-Style was opened with the Jewel Food Stores in Racine, Wisconsin. These units paved the way for the majority of the expansion that has occurred within Jewel Companies, Inc. in both food and general merchandise. In 1965 Jewel began franchising convenience food stores called White Hen Pantries.

MANUFACTURING activities were also importantly expanded by Jewel during the 60's. Today, Jewel operates bakeries, salad kitchens, dairy, ice cream, candy, potato chip, sausage and coffee roasting plants. Other manufacturing operations produce jams, jellies and preserves, aerosols, prepared mixes and a wide variety of packaged and bottled private label items. In addition, Jewel operates two egg farms and has an investment in a Mexican tomato farm.

JEWEL TODAY is known as Jewel Companies, Inc. Until 1966 our corporate name was Jewel Tea Co., Inc. The change meant more than just a switch in corporate titles; it was also a change in management philosophy, under which each Jewel company is now operated autonomously as a separate company with the freedom to adapt to change and to move rapidly to respond to new opportunities.

This organizational structure added to another Jewel asset: the ability to attract and motivate outstanding individuals to serve the ever-widening needs of consumers. With Jewel's separately operated company structure, individuals at early ages can grow into jobs with increasing responsibility and offering increasing satisfaction. Of the 60 officers of the 9 operating companies within Jewel, 31 are 40 or under.

Jewel, then, has grown from a regional grocery chain to a diversified retailer with a broad base of people with individual expertise in the following areas:

- Convenience Stores
- Ice Cream Shops
- Manufacturing
- Self-Service Dept. Stores
- Food Stores
- In-Home Shopping
- Restaurants
- Drug Stores

WHAT IT ALL MEANS FOR THE FUTURE

- In the 60's Jewel Companies became a widely diversified retailer and learned how to profitably offer a wide line of merchandise through a number of different sizes and types of retail outlets . . . In the 70's that experience will serve as the basis for significant geographic growth.

- In the 60's the concept of autonomy for individual Jewel companies was adopted . . . In the 70's this ability and freedom to operate offer great assurance for continued healthy growth.

- In the 60's our customers learned to depend on "Miracle Price" type programs as a way to reduce the impact of inflation . . . We start the 70's with a high quality, low price reputation in each of our retail companies.

- In the 60's opportunities presented themselves for Jewel to invest in foreign retail ventures . . . In the 70's we will be enjoying financial rewards from these investments.

- In the 60's Jewel Companies grew in financial strength and reputation . . . In the 70's that strength and reputation will help us to continue our growth in a climate of tight money and high interest rates.

- In the 60's Jewel was able to employ increasing numbers of talented young people for its diverse activities . . . In the 70's they'll be challenged not only to manage the business but in turn to continue to attract outstanding people to Jewel.

- In the 60's Jewel became increasingly involved in discharging its social responsibilities—such as employment and training of minority groups, consumer protection and community action programs... In the 70's even greater emphasis will be placed on this additional type of service we can render.

- In the 60's our organization learned that we are not "just a food chain," but flexible, diversified retailers . . . In the 70's this knowledge gives us the strength to grow in response to a wide variety of consumer desires and needs.

THE GROWING JEWEL COMPANIES

JEWEL FOOD STORES	1969	Plan 1970
Stores—beginning of year	256	256
New stores added	15	18
Old stores closed	15	7
Stores—end of year	256	267

Store area (average square feet) 16,500
(range—square feet) 6,200—30,200

STAR MARKETS	1969	Plan 1970
Stores—beginning of year	48	49
New stores added	1	4
Stores—end of year	49	53

Store area (average square feet) 25,200
(range—square feet) 9,000—40,700

OSCO DRUG	1969	Plan 1970
Stores—beginning of year	151	169
New stores added	21	22
Old stores closed	3	—
Stores—end of year	169	191

Store area (average square feet) 12,300
(range—square feet) 6,400—33,000

JEWEL IN HOME SHOPPING SERVICE

DIRECT MARKETING DIVISION	1969	Plan 1970
Businesses—beginning of year	1,902	1,827
Businesses added	1	6
Businesses closed	76	6
Businesses—end of year	1,827	1,827
Customers served	800,000	

BUTTREY FOODS	1969	Plan 1970
Stores—beginning of year	31	35
New stores added	4	1
Stores—end of year	35	36

Store area (average square feet) 20,700
(range—square feet) 5,600—38,200

EISNER STORES	1969	Plan 1970
Stores—beginning of year	31	30
New stores added	—	7
Old stores closed	1	4
Stores—end of year	30	33
Store area		
(average square feet)	15,000	
(range—square feet)	7,800—22,000	
Affiliate stores	43	50

TURN-STYLE	1969	Plan 1970
Stores—beginning of year	10	13
New stores added	4	4
Closed	1	—
Stores—end of year	13	17

Store area
(average square feet) 94,500
(range—square feet) 50,000—100,000

BRIGHAM'S	1969	Plan 1970
Stores—beginning of year	82	94
New stores added	15	27
Old stores closed	3	—
Stores—end of year	94	121

Store area (average square feet) 1,850
(range—square feet) 450—4,200

WHITE HEN PANTRIES	1969	Plan 1970
Stores—beginning of year	23	44
New stores added	21	35
Stores—end of year	44	79

Store area (average square feet) 2,500

G. B. ENTREPRISES BELGIUM	1969 Add.	End of 1969	Planned 1970 Add.	End of 1970
Supermarkets	13	65	20	85
Department Stores	—	10	—	10
Restaurants	5	31	12	43
Appliance Stores	—	13	—	13
Self-Service Dept. Stores	3	13	8	21

Jewel equity—18%

STELLA SUPERMARKETS NORTHERN ITALY	1969	Plan 1970
Stores—beginning of year	12	14
New stores added	2	3
Stores—end of year	14	17

Store area (average square feet) 11,900
(range—square feet) 5,000—17,800

Jewel equity—49%

MIDCO, S.A. MEXICO	End of 1969	Planned 1970 Add.	End of 1970
Self-Service Dept. Stores	7	2	9
Supermarkets	17	6	23
Restaurants	6	2	8
Clothing Stores	—	1	1

Jewel equity—45%

MIDCO, S.A.

®

Jewel Diversified Retailing Throughout The United States

PRESENT UNITS IN BLACK

PLANNED UNITS IN COLOR

	JEWEL FOOD STORES		STAR MARKETS		OSCO DRUG		DIRECT MARKETING		BUTTREY FOODS		EISNER CORPORATE & AGENCY STORES		TURN-STYLE		BRIGHAM'S		WHITE HEN PANTRIES	
ALABAMA							10											
ARIZONA																		
ARKANSAS					3	1	3											
CALIFORNIA							262	3										
COLORADO							36											
CONNECTICUT							6											
DELAWARE							4											
DIST. of COL.							2											
FLORIDA							42											
GEORGIA							19											
IDAHO					6		10		9									
ILLINOIS EXCLUDING CHICAGO METROPOLITAN AREA	8	2			14	3	74				67	10	1					
INDIANA	1	1			10	3	87				6	4		3				
CHICAGO AREA	243	14			87	8	44						6	1			43	25
IOWA	2	1			13	2	51						1					
KANSAS							38											
KENTUCKY					1		41											
LOUISIANA																		
MAINE			1		1		4											
MARYLAND							38											
MASSACHUSETTS			34	3	2		7						4		94	25	1	5
MICHIGAN	1				3		112	2										
MINNESOTA					5	1	26											
MISSISSIPPI																		
MISSOURI					1	1	44											
MONTANA					7				26									
NEBRASKA							22											
NEVADA							2											
NEW HAMPSHIRE			4	1	1	1	1											
NEW JERSEY							28											
NEW MEXICO							10											
NEW YORK							88											
NORTH CAROLINA							33											
NORTH DAKOTA					4	1												
OHIO							141											
OKLAHOMA							30	1										
OREGON																		
PENNSYLVANIA							214											
RHODE ISLAND			10													2		
SOUTH CAROLINA							8											
SOUTH DAKOTA					4		5											
TENNESSEE							56											
TEXAS							63											
UTAH							20											
VERMONT							1											
VIRGINIA							40											
WASHINGTON						1				1								
WEST VIRGINIA							29											
WISCONSIN	1				7		70						1					5
WYOMING							6											
Units as of Jan. 31, 1970.	256		49		169		1827		35		73		13		94		44	
New units planned for 1970.		18		4		22		6		1		14		4		27		35

"We've had each President Interviewed for You"

Believing that the growth of Jewel companies and Jewel people would be inhibited by a concept of highly centralized authority, Jewel has developed a management style which emphasizes the decentralization of operational decision making. Opportunities lie in different directions for each of the autonomously operated Jewel companies within the broad field of retailing. Each has its own individual character as well as distinct profit and investment responsibility. Each is strongly encouraged to chart its own path to find new avenues for growth and profit.

This is the essence of a management style which spreads authority and responsibility to help achieve our overall objectives of serving ever-changing family needs and desires with as wide a range of consumer merchandise and services as we can develop the capacity to provide. With this management style, all operating challenges, changes and accomplishments are focused on the management group of each individual company and ultimately, of course, on its president.

The enthusiastic leadership of the presidents of the several Jewel companies is so fundamental to continued healthy diversified growth, that we wish it were possible for each stockholder to visit with each company president. Because this is not practical, we have tried on the following pages to do the next best thing. We've had each president interviewed for you and the results of these interviews form the basis of our summary of the individual company accomplishments in 1969 and expectations for the future.

D. S. Perkins
President

Faces Behind the Companies

A "Soaring Sixties" for Jewel Food Stores

The year 1969 closed out the "Soaring Sixties," an often turbulent, never predictable, always challenging decade. Nevertheless, these were years of "significant progress" for the Jewel Food Stores, according to President Harry Beckner as he paused to review the records.

Here are a few of the accomplishments he enjoys discussing:

- Sales rose to the highest total on record—doubling their level of only seven years ago—and continued their unbroken trend of annual increases going back more than 25 years.
- Earnings gained over the preceding fiscal year for the sixth year in a row.
- One out of every four dollars spent for groceries in the Chicago area in 1969 was spent in a Jewel Food Store, compared to three years ago—prior to "Miracle Prices"—when the ratio was one in five.
- In this decade, Jewel Food Store operations have pushed outward from the metropolitan area of Chicago as far as Racine, Wisconsin; Davenport, Iowa; Kankakee, Illinois; and Benton Harbor, Michigan.
- During the past ten years Jewel has strengthened itself in its most important asset—people.

Harry Beckner

All of these accomplishments were realized even though there has been no gain in the number of stores; closing of small, obsolete units have approximately equaled the construction of new, large "master markets," of which 52 have opened since 1966. New stores incorporate the latest in specialty operations such as sausage and bakery shops, Chef's Kitchens, among others and, in the near future, will include carry-out food departments. "All forms of convenience food services are enjoying remarkable consumer acceptance," Beckner explained.

Jewel's Chef's Kitchen is a symbol of this concept. From a one-shop test in 1957, it grew to 10 shops at the beginning of the 60's. Today there are 135, with 15 or 20 more to open each year. Originally thought of as a delicatessen-type unit, Chef's Kitchens today are a pizzeria, a hot pie shop, a fried chicken house, a catering office, a party-planner, and a convenience food shop.

"A high quality, low price image"

Manufacturing is another area of Jewel Food Stores growth. They began manufacturing with salads in 1942 and have been at it ever since. Plans are now in progress for an ice cream plant and cottage cheese will soon be added to the output of the milk plant. Recently, an entirely new line of Jewel Kitchens prepared foods, both refrigerated and frozen, was introduced. Soon to come is a new line of centrally-prepared foods for a catering service, all under the title "Party Headquarters."

Jewel's unique ability to build and successfully operate joint food-drug and food-general merchandise combination stores was strengthened in 1969 and plans call for further developments in this direction in 1970 and the years beyond. The objective is to attain a high degree of "one-trip" shopping.

All these developments have called for consumer-oriented actions in store operations and organizational restructuring. At management levels, new operating responsibilities have been created under Fred A. Woerthwein, Executive Vice President and General Manager, of all Jewel-of-Chicago units and James Henson as Vice President and General Manager of "Outer Zone" stores, the latter of which point the way to new opportunities for geographic growth in coming years. A significant phase of those realignments is the appointment of a general manager for conventional stores (generally the smaller neighborhood Jewels) and also a general manager to work on the special problems of the Chicago inner city. Perhaps equally important is a new design in management: the knitting together, as a team, of manufacturing, merchandising and operating leadership for given lines of merchandise under a product general manager.

Harry Beckner is not wearing rose-colored glasses as he looks down the road the economy of the country is traveling. He sees the inflation of the present likely to be accentuated by wage settlements negotiated by large national unions during the course of 1970, with strike threats or actual strikes affecting not only the employees and companies involved, but all businesses.

Apart from these considerations, which are almost entirely beyond being influenced by Jewel, the Food Stores President expects the early 1970's will present retail establishments with new types of problems, but opportunities as well. "Change will increasingly be the order of the day," Beckner says, "and will evolve from the social, economic and racial problems of the big cities. This will require an increased understanding of the social responsibilities of businesses in the community—if we are to meet those challenges successfully."

Beckner said: "We are looking forward to 1970 as another growth year for the Jewel Food Stores. We enter this decade with a high-quality, low-price image which is certainly in tune with today's requirements. That image will be a positive benefit as we embark on a program of geographical expansion into other areas in the Midwest."

People Make Star Shine

Meeting John Mugar, President of Star Market Company, you're impressed by his warm smile and hearty handshake. Behind that warm smile is a most astute businessman.

Of course, the best proof of his abilities is in his company's results and Star enjoyed record sales and earnings in 1969. With those results, nobody is going to argue with John Mugar's philosophy of business and especially his emphasis on people.

"People," he says, "are absolutely vital to our continued growth. Because we are located in a college community, we have availed ourselves of these institutions to recruit people and to supplement our own 'in-house' development. We believe strongly in continuing education and subsidize employees taking courses in subjects related to their jobs. We also encourage part-time high school students working for us to compete in our scholarship program."

Mugar's belief in education for his people isn't limited to the formal type. He is often kidded about what he calls a "Charm School for Check-out Girls." But, again, the results speak for themselves. "The program helps our girls develop confidence in themselves, pride in their appearance and a healthy, natural cordiality for the customer coming through the check-out line."

"People are absolutely vital to our continued growth."

Geographically, Star is growing, with four new stores planned. One will be located in Manchester, New Hampshire, in combination with a large Osco drug store; a second in Hyannis, Massachusetts, in a mall where Star will have its first Cape Cod unit; a third in Everett, Massachusetts, a Boston suburb, where the store will be part of a downtown shopping center; and, a fourth in North Kingstown, Rhode Island.

Both store size and variety are key factors in Star's steady growth and impact on market areas. The average store runs 25,200 square feet, a size capable of handling expanding sales volume, with lower cost to be passed on to the consumer in the form of lower prices. "Miracle Prices," according to Mugar, "have, for a couple of years, done their share to keep Star in the forefront of grocery competition in our area."

Size of the stores has another advantage in that there is space to offer a greater variety of foods and merchandise. Star stores include displays of fish, delicatessen and cooked foods, produce, pastry, flowers and general merchandise not commonly found in other supermarkets.

The handling of this variety of merchandise would be a problem to any supermarket operator, but Mugar feels that Star has structured itself to handle the items it sells. "Efficient behind-the-scenes warehousing and distribution facilities are most important in our efforts to continue our dramatic 'Miracle Price' program."

High quality and low prices, the twin goals of the Star group of stores, are attainable only with the proper facilities. To this end a new, fully modern and mechanized facility for handling produce opened in February, 1970, and in 1970, a new meat distribution terminal is to be operational. In addition, an extensive remodeling of Star's bakery in 1969 insures the retention of the quality this line must have to be outstanding in the New England market.

Sales at Star have more than doubled since it joined Jewel in 1964 and Mugar feels the autonomy his company enjoys has been all-important. "The entire Star officer group came from the Star organization. We've had all the help we wanted, but the people from Jewel have never tried to dominate us. This type of relationship makes us want to succeed all the more—and makes us prouder when we do."

John Mugar

Osco, One of the Nation's Largest Drug Chains

Ask Wes Christopherson, Osco President, to describe his stores and he'll immediately list the following points:

- A promotional drug chain that has had an annual sales growth of over 18% for the past 8 years.
- Among the first to introduce self-service to the drug store business.
- A discounter that has never lost its reputation for quality in service, quality in prescriptions and quality in merchandise.
- A people business with profit sharing programs unmatched by its competitors.
- The drug chain management group with the greatest energy, ability and youth of any drug organization in the country.

Each of these comments is an apt description of Osco, Jewel's first entry into the general merchandise business and the drug half of the food-drug combination which has led Jewel management to say that this combination makes 2 + 2 = 5. Wes Christopherson points out: "Osco is now working with all four of the Jewel grocery companies to build food-drug units. In addition, the success of Osco's talent-development program enables us to open a number of free-standing Oscos in areas not served by our food partners."

Perhaps the single most significant event of Osco's experience in 1969 was the consolidation of Chicago Osco and Osco Drug, Inc. The regrouping of these two drug businesses into one company permits it to capitalize on the experience and strengths of both the "Chicago" and "Country" organizations, and to streamline service functions. The formation of a centralized service group with a blending of talents, experience, education and maturity significantly strengthens operating, merchandising and growth capability. These realignments will reduce overhead costs as Osco continues its growth with new stores.

While this organizational marriage was taking place a lot of dramatic and exciting things were happening out where the cash registers ring. Sales reached new highs in both the "Chicago" and "Country" operations.

"A young but experienced management team."

Osco joined the Jewel family in 1961. There were then 31 widely separated stores located on the main streets of smaller midwestern towns. Often an Osco of that vintage was the only chain drug store in a community and it was operated as a completely decentralized unit. Today, the Osco Drug Stores number 169, with a volume which makes them one of the nation's largest drug chains.

Wes Christopherson delights in taking a visitor to Osco's office in Franklin Park, Illinois, to introduce the caller to a vice president or two here and there. They are a young group to be holding such top flight positions. The average age of all Osco vice presidents is 36. Store managers in the Chicago group average 29, in the Country 38.

Osco's growth dimensions are described in terms of people, of increasing store size, broadened lines and evolving concepts, of expanding geography and multi-store cities, of partnership with all Jewel food companies, of both decentralized and centralized capabilities, and of merchandising expertise not generally available to less diversified retailers. "It is the spirit of Osco people that supports all the other growth strategies, for their spirit to innovate and to grow is the vital ingredient that has really created the spectrum of capabilities that spell our promise for tomorrow," says Wes Christopherson.

Wes Christopherson

Eisner has Fewer Stores But...

A financial review of Eisner Food Stores offers a most interesting paradox. In fiscal 1969, this Champaign based chain operated a smaller number of stores than at any time since joining Jewel 12 years earlier, yet sales reached an all-time high.

What's more, President Win Smith's goal is to double the sales of Eisner in the next few years.

That smile on Smith's face as he related the results for the year and added his bold prediction of things to come, was not always there. Actually, Eisner, in the first half of the year, saw sales skid as a predictable result of a decision in February to discontinue issuing trading stamps and to substitute the Eisner version of "Miracle Prices."

"We are now a 'Growth Business.' "

Watching his sales curve the next few months had to be a painful experience for Win and everyone connected with Eisner at every level. Some customers, who for years had thought of trading stamps as part of every transaction at an Eisner store, felt that they were being deprived of a benefit of trading with that company's stores. For many, it took weeks and even months before they really understood and believed the additional value that was offered through Eisner's "Miracle Price" program. The eventual result was predictable, but that didn't make the first six months any easier to bear. "Miracle Prices" began to assert their powerful attraction about mid-year. And from there to the end of the year, when sales for the final weeks climbed more than 20% over 1968, smiles were getting bright indeed.

Now Eisner is ready to begin expanding stores. Teaming up with Osco and Turn-Style, several new combination units are to be built in Central Illinois and Indiana during 1970, 1971 and 1972.

Says Win Smith: "We are confident that the partnership with Osco Drug and Turn-Style, along with our 'Miracle Prices' merchandising program, give us the strength to enter a new market with an impact which would never have been possible through a traditional stamp-giving, solo supermarket."

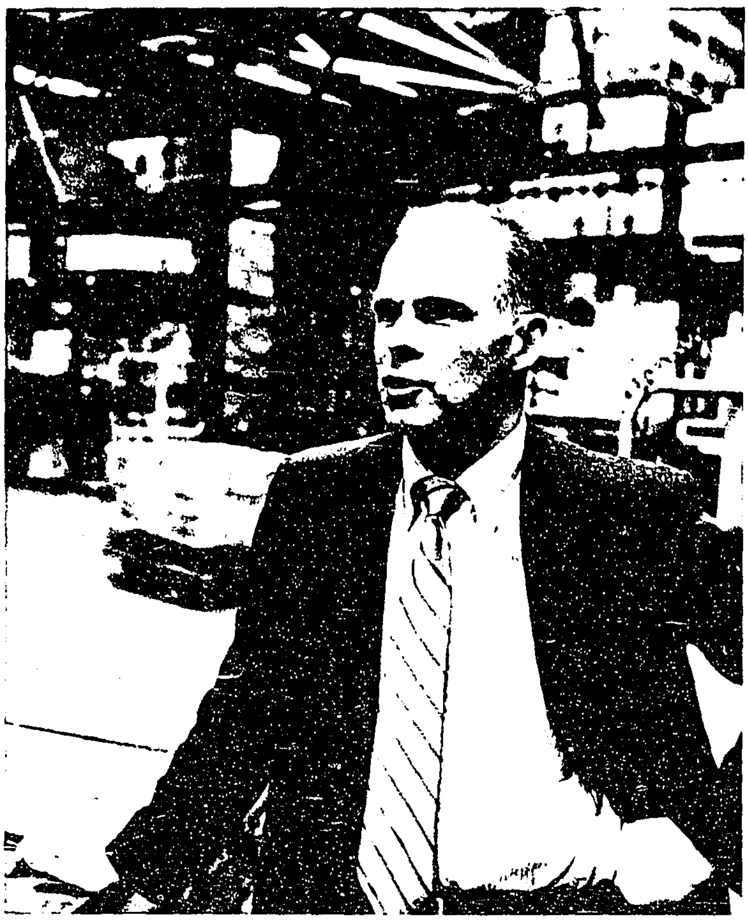
Eisner has things other than new stores going for it. For many years Eisner has been the neighborhood bakery for the customer who wanted something special for her family or friends. A new central bakery is about to open which will replace two older facilities. It will be modern and efficient with just enough old fashioned attention to retain a high quality image.

Eisner's wholesaling business continued its growth in 1969 and is serving the needs of the smaller community family-operated food store under four separate programs. Each of the programs is substantially different, being tailored to the needs of the community it serves. Currently Eisner services 43 agency stores under a franchise program that accounts for 15 percent of total Eisner sales.

Another developing operation which is producing earnings for Eisner is its institutional business, which services numerous accounts in Central Illinois.

"The overriding story at Eisner has been the development of an outstanding management team which, together with the strengths of 'Miracle Prices,' has made a growth business of one that has always been stable but not always exciting," Win Smith said.

Win Smith



Happy Days Are Here Again for Turn-Style

Bill Lewis

Talk about Turn-Style and the just ended fiscal year and you're talking real progress.

The past year saw several significant developments for this company. President Bill Lewis, a man with infectious enthusiasm, is proud to point to a 29% gain in sales during 1969 and his belief that Turn-Style has almost unlimited future potential.

Lewis hasn't forgotten that when Turn-Style embarked on its initial expansion back in 1961, those first few years were rough going with red figures showing up when there were supposed to be black ones.

He suggests that those depressing times provided the right kind of medicine to teach Turn-Style people to be humble about and appreciate the healthy times that have now arrived. More than that, Turn-Style management knows and understands what accounts for the healthy state of its business.

And healthy it is.

Each of Turn-Style's 13 stores operating at the close of 1969, was doing so at a profit. The leverage for higher total earnings improves with the age of the new stores and, of course, the total will be aided significantly with stores to be added at the rate of 10 per year by 1971.

The managerial, supervisory and operating personnel needed to bring about that growth program are being strengthened. Major service departments such as real estate, accounting, advertising and others were built or strengthened in 1969. But of greatest importance is the development of general managers who have complete profit responsibility within a given merchandise category. General managers have been assigned to such profit centers as Ladies' Wear; Girls' and Infants' Wear; Drug and Variety; Hardware and Garden; Camera, Toys and Sporting Goods.

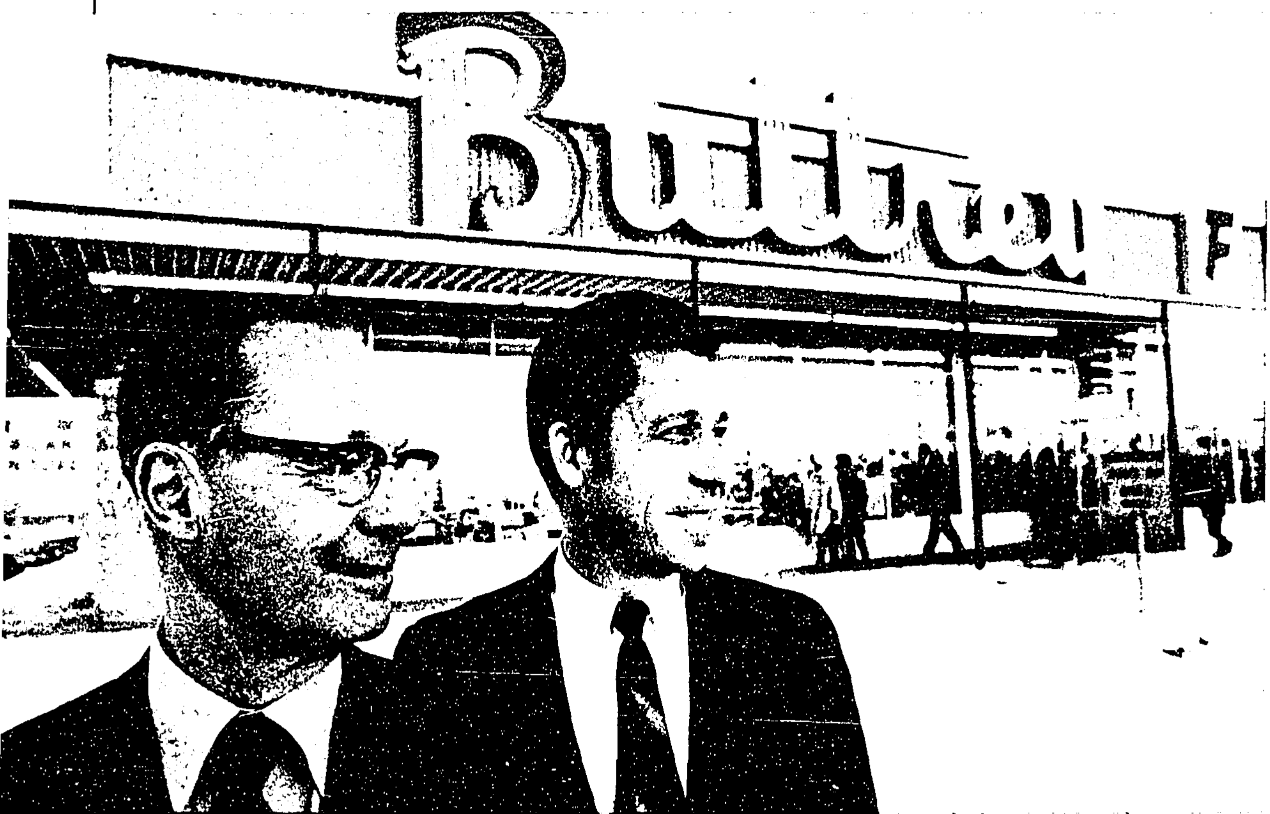
As Bill Lewis emphasizes: "Our current success is a result of our sales manager form of organization, our partnership with Jewel and Star, our good fortune in assembling a talented and energetic management team and our strong determination to build high quality self-service department stores rather than another 'discount chain'."

Each general manager is responsible for the development of a knowledgeable team of buyers in his area of merchandise, as well as teams of store operators under regional sales managers. Turn-Style operates all merchandise departments, except the shoe department, with its own personnel.

"We won't be just 'another discount chain.'"

One of Turn-Style's strengths is its policy of complete write off of all seasonal goods at the close of the season and all merchandise of any kind when it is one year old. This policy is strictly applied...with emphasis on the "strictly." "This discipline is good for everyone concerned—the company, the store manager, the sales staff and, most importantly, the consumer who is thus being protected from having to choose merchandise that has been too long on the shelf," says Bill Lewis.

Turn-Style's objective from the start has been to develop a special meaning for the kind of stores it would build and operate in conjunction with its food partners in Jewel. "We did this," says Lewis, "by building stores in prime locations, by staffing them with people who have been carefully selected and trained, by offering promotional pricing permissible only through self-service, and by planning and managing our stores with the decor and cleanliness normally found only in a quality department store. We are building a distinct Turn-Style reputation by employing the same operating methods and developing the same customer awareness that have proven so successful in operations of other, older Jewel companies."



Rilling Williams **Phil Palm**

Down with Stamps and Down with Prices at Buttrey

Fiscal 1969 was a year of challenge and success for Buttrey Foods.

The oldest company in the Jewel family, with 73 years of experience in service to customers, took the giant step of adopting an entirely new pricing program that meant the discontinuance of trading stamps.

The decision wasn't an easy one and the risks involved were well known to the company's president, Phil Palm, and chairman, Rilling Williams. They also knew that the elimination of stamps was the right thing for customers. Thus, in the fall of 1969, after more than 10 years of issuing stamps, "Budget Prices" went into effect.

As Palm says: "Buttrey management was aware that the initial result of our program would be similar to previous experiences of other Jewel companies–an initial battle for sales and a decline in profits." This is exactly what happened. But, as was the case in other Jewel companies, the sales curve soon started up. Final sales results for the year showed an increase over 1968 and, during December, Buttrey's sales reached the highest for any month in history.

"We're optimistic about the '70's."

Understandably then, Rilling Williams and Philip Palm share an optimistic view of 1970's prospects for their business. They feel that their new pricing program shows merchandising foresight and a fresh appreciation of the sentiments of their customers. By adding this new and strong merchandising program to their traditional in-store operating strengths, Buttrey's management feels certain that it has the strongest food marketing program in its operating territory. At the year-end Buttrey was operating 35 stores, 26 in Montana and 9 in Idaho, and was making plans to build in Washington.

No review of 1969 for Buttrey Foods would be complete if it excluded mention of an orderly transition of management, which is so important to the continuing health of any business organization. On December 16, 1969, Philip Palm succeeded Rilling Williams as President of Buttrey. Planning toward his own retirement, Rilling Williams has been helping in the development of Phil Palm for some years. Phil Palm took on the job of President at the age of 43.

Direct Marketing Division... A Basket Full of New Ideas

It is hard to believe that there could be merchandising excitement surrounding so modest a sales display medium as a basket three square feet at the bottom and less than a foot deep—but, a doubter need spend *only a few minutes* with Direct Marketing Division President Marlin Hadley in his office at Jewel Park, Barrington, Illinois. It is there that what used to be known as the Routes Division has its offices and central distribution center.

Hadley sees more opportunities than ever for growth in the volume of business that the famous little basket can promote—directly and indirectly—in the next decade. The Division is particularly excited by new methods of displaying and selling—not only what is in the basket but via supplementary and supporting sales efforts.

"We are eliminating the word 'never.' "

"This, Jewel's founding activity, is moving into the next decade with a number of new and stimulating ideas for promoting, expanding and diversifying—all to be conducted under the title: 'Project 70'," says Hadley. "We think there is a great future for the selling of foods and merchandise of all kinds direct to the home. We have as much experience with direct-to-the-home retailing as anyone on the national scene and we plan to capitalize on what we know."

The new company designation—Direct Marketing Division—was a part of a total review this Jewel company made of itself to make certain that its entry into the 70's was an enthusiastic one. They are proceeding with a number of changes under the theme: "Tomorrow's Way, Today."

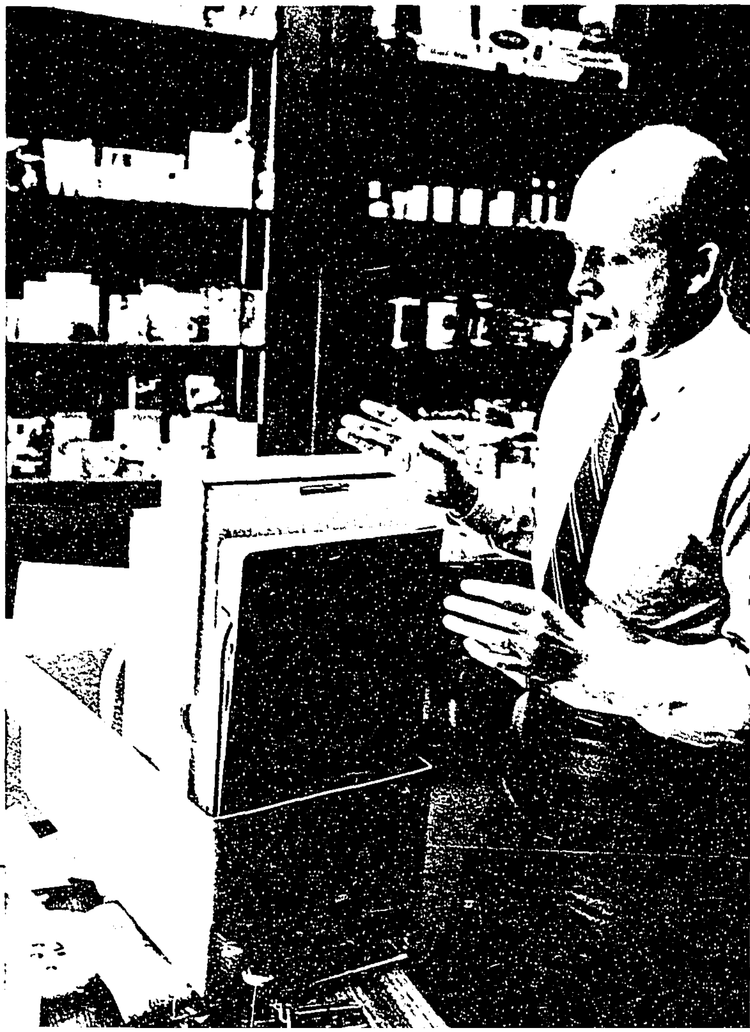
One of these changes, which until recently could be considered an experiment, is now an important adjunct to home shopping sales. It's called party plan selling. Jewel salesmen invite their customers to give parties for their friends at which Jewel merchandise is offered for sale. The party-giver receives merchandise gifts depending on the party's sales results. In 1969, 7,297 toy parties were held in the 16 weeks before Christmas, with $1,000,000 in sales resulting from this addition to Jewel's traditional In-Home Shopping Service.

This member of the Jewel family is also experimenting with advertising in Life magazine, the sale of space in its general merchandise catalogs, and with a new telephone ordering service for its customers. And, this latter service works both ways...it's available for customers to telephone in an order and it is being used for calls to customers to describe outstanding values and items which will be available at the time of the Jewel man's next call.

"We've never done anything in the direct mail business in the true sense of the term; we've never approached customers before except through the salesman serving the area; we've never advertised; we've never telephoned a customer; we've never—well, we are eliminating 'never' from our language and we hope to make this Jewel company even more indispensable to our 800,000 customers. And," he added, "simultaneously we will be trying out other new direct marketing approaches, such as the coffee service to small offices and businesses we now have operating in a modest way."

Backing up all these plans and projects of the Direct Marketing Division is an astonishing fact of life: this oldest Jewel enterprise has made a profit in every year since 1920! Not many corporations can boast an unbroken string of 50 years of profitable business.

Marlin Hadley



They've Changed Everything but the Name at Brigham's

"A year of changes" is Brigham's President Walter Elisha's way of describing 1969. Elisha, who is six years younger than the 43-year-old business for which he is responsible, is quick to cite a number of reasons why this is so:

- Nine stores were completely remodeled.
- Fifteen new ice cream/candy stores were built and opened.
- A new ice cream plant was built and is now in full production.
- Two family restaurants were franchised under the name of Buttrick's and a new unit is under construction.
- Twenty-two bakery departments in Brigham's stores were closed as the company withdrew from this unprofitable activity.
- A "lease operator" plan was introduced which has provided an incentive for store management, making the Brigham's manager's job among the best in the food service industry.

While all of this occurred, earnings in 1969 improved over those of 1968.

Walter Elisha's plans for 1970 call for increases in sales in each of Brigham's three growing businesses: ice cream/candy stores, sandwich shops, family restaurants. All three are due to grow, both geographically and in the section native to Brigham's—the Boston area. Brigham's newest market area will be Providence, Rhode Island where sandwich shop construction is scheduled to begin this spring.

But, it takes more than geographic expansion to be successful and Elisha is quick to point out that "any success in our business is due to people at the store level and their success, in turn, depends heavily on their motivation." It is for this reason that he is pleased with his new "lease operator" plan. Under this arrangement a sandwich shop manager owns his own inventory and pays Brigham's for rent, lease of equipment, accounting services, advertising, insurance and other incidental expenses. The plan was tested in 4 sandwich shops early in 1969, 10 were added in the summer and, by the end of the year, 18 such stores were in operation. So successful has this program been that Elisha is hoping to adapt it to ice cream stores.

"Brigham's manager's job among 'best in food industry.' "

Elisha takes pride in recounting the company's experiences last year in recruiting people for the varied activities of Brigham's. He sums it up this way: "For the first time in anyone's memory at Brigham's we are now challenged to find appropriate assignments for some of our people rather than searching for talented people to do specific jobs. It may sound odd to suggest it, but the healthy state of our organization may be even more significant for the future of Brigham's than current earnings we report."

Walter Elisha

A Real Estate Jewel

How can Jewel retain real estate earnings and long-term property values in premium locations that are created by Jewel's store operations?

The answer lies in Jewel real estate corporations, now 152 in number and holding title to land and buildings with an initial cost of $72,726,000. Jewel acquires outstanding real estate properties, suitable primarily for modern retail outlets, on which stores can be constructed and parking facilities created. Such properties, and the related stores and parking facilities, are then sold to an affiliated real estate company created by Jewel for the purpose. Jewel executes a net lease with the real estate corporation which then borrows virtually all of the funds required to pay the purchase price to Jewel.

There are distinct advantages to this approach: Use of equity capital and corporate borrowing power for retail store locations is largely avoided; long-term property values created through Jewel's rent payments are preserved; and Jewel is

White Hen Pantry Growth Only Beginning

White Hen Pantry is one of Jewel Companies' newest success stories.

A convenience-type grocery store, designed to fill the consumer need for quick, close-to-home shopping, the White Hen Pantries almost doubled in number during 1969. "With 44 stores now in operation, our goal will be to double the growth rate again in 1970," says David L. Diana, president of the division. "I find it intriguing that this is a business which Jewel started from nothing five years ago and that, in spite of start-up expenses, 1969 was our second profitable year," he added.

Up to now, growth has been concentrated around Chicago. Recently, however, the first White Hen Pantry opened in the Boston area. Further Pantry expansion is scheduled for Central Illinois and Milwaukee, Wisconsin during 1970.

In metropolitan Chicago, White Hen Pantry is a franchise operation —with individual family ownerships operating and serving in each store. Jewel sets up the store, trains and counsels owners and provides complete inventory for its share of the investment.

"With Jewel experience and backing, we have been able to attract highly qualified store owners," says Diana. "The Jewel name and reputation, and its known success in all kinds of merchandising, are a definite plus to the potential franchisee."

"We have been able to attract highly qualified store owners."

For an approximate $15,000 investment, a store operator accepted by Jewel can go into business for himself on generous terms. Approximately $12,000 of the original investment is for inventory. Remaining costs include a security deposit of $1,600 and other nominal fees for licenses and supplies. With a guaranteed income of at least $14,000 a year for himself and his family, the operator can build profits according to his own ability to make a success of his business. Many owners have realized earnings of $20,000, $30,000 and more.

Jewel receives 12% of store sales and in return provides a complete operating package, which includes a fully equipped and stocked store, plus training and continued counseling for the owners. In addition, Jewel pays the bills and maintains an inventory and accounting service for the owner.

"Our concern," says Dave Diana, "is with the success of our White Hen Pantry store owners. By working closely with them, and guiding them toward a growing and successful family enterprise, then and only then, can Jewel realize a healthy return from its own investment and efforts. It's significant that Jewel shares in the profits of a White Hen Pantry only after the franchisee has himself begun to enjoy income over and above his guarantee."

much less dependent on third party developers who have found it increasingly difficult to finance the purchase of real estate and/or the construction of store and parking facilities during periods of tight money.

Net earnings of Jewel's real estate companies have increased each year since 1957 and in 1969 alone totaled $1,273,000 equal to 19¢ per share of Jewel common stock. Accumulated earnings from this source through 1969 were $7,009,000 and earnings in the past five years have improved at a compound annual rate of 17.7%. They are expected to contribute increased earnings again in 1970.

There's not much chance that Jewel will become so enamored of the real estate business that it will neglect its primary business. But control of real estate has been a definite plus in store development these past dozen or so years and owning what you're renting is a pretty good way to cash in on the value you add to a property.

David Diana

Maurice Cauwe **Jacques Dopchie**

Self-Service Excitement in Europe...G.B. Entreprises and S.I.A.S.

Not all of the Jewel action in 1969 was confined within the boundaries of the continental United States.

G.B. Entreprises of Belgium and Super Bazars, a Belgian chain of self-service department stores, in both of which Jewel held minority interests, merged in September. Under the management of Maurice Cauwe, Chairman, and Jacques Dopchie, General Manager, the combined company vaulted into even more prominence as a diversified retailer, with total sales for 1969 of $224,000,000.

At the end of 1969, the newly-merged company was operating 65 supermarkets, having added 13 during the year; 13 self-service department stores, having added 3 to the chain; 31 restaurants, 5 having been added during the year; and, in addition, G.B. Entreprises included 10 conventional department stores and 13 small appliance stores. It is anticipated that new supermarkets, self-service department stores and restaurants to be opened in 1970 will double the openings of 1969, bringing the total number of stores in prospect for the end of 1970 to 172.

An innovation last year was the opening of two free-standing restaurants under the name "Mr. G.B." Each occupies 10,000 square feet of floor space, can serve 250 customers in a cafeteria section and 50 in its coffee shop. Each also has a "take-out" department.

Consistent with its growth in diversified retailing, G.B. Entreprises has reorganized its several types of retailing businesses into separate profit centers with talented young men functioning as general managers of each—much along the lines Jewel is organized domestically. Additionally, sites and physical resources are also being studied for growth through food manufacturing where feasibility studies indicate the profitability of this activity.

Stella Supermarkets, Jewel's newest venture in Europe, now number 14 locations serving customers in Northern Italy in the same fashion and with the same dedication and quality standards as the successful, modern supermarket in the United States. General Manager Joe Maranelli has developed an unusually talented staff of young merchants in a few short years.

Customer shopping habits and the acceptance of supermarket self-service operations have been somewhat slower to develop in Northern Italy than in Belgium. Nevertheless, Stella Supermarkets made their first profit in the quarter ended December 31, 1969 and Jewel feels it has the right combination to capitalize on the retailing revolution as it takes a stronger hold in this large market.

Joe Maranelli

ACCOUNTING PRINCIPLES USED IN PREPARATION OF FINANCIAL STATEMENTS

To help our shareholders understand the accompanying financial statements, we have set forth below a brief description of some of the more significant accounting principles followed by the Company:

INVENTORIES

Inventories are valued at the lower of cost or market, with cost being determined on a first-in, first-out basis. Out-of-season and discontinued merchandise is reduced to expected realizable value.

PRE-OPENING COSTS

Those costs incurred prior to the opening of a new retail unit or other facility are known as "pre-opening expenses." The Company has followed the practice of charging such expenses against income as they are incurred.

PROFIT SHARING AND RETIREMENT TRUSTS

Nearly all the retirement funds for the benefit of employees are provided through profit-sharing retirement trusts. Amounts contributed to the individual trusts are based on earnings after providing for a basic return to shareholders. Retirement benefits are determined by the market value of the trusts and are fully funded. These funds amounted to approximately $139,000,000 at the end of 1969.

DEPRECIATION, DEFERRED TAXES AND OTHER DEFERRED LIABILITIES

Buildings and equipment are depreciated over their average useful lives on a straight-line basis and provision for federal income taxes is based on this method in the accompanying financial statements. Where available, the Company uses an accelerated method of computing depreciation in determining its actual current income tax liability. The variation between federal income tax liability determined for financial statement purposes and the actual federal income tax liability currently payable appears in the balance sheet caption "Deferred Federal Income Taxes."

CONSOLIDATED BALANCE SHEET

JEWEL COMPANIES, INC.

ASSETS

	January 31, 1970	*February 1, 1969*
Current Assets:		
Cash	$ 17,139,292	$ 17,056,932
Marketable securities and certificates of deposit, at cost which approximates market	24,098,388	18,441,489
Accounts receivable, less allowances ($489,000 and $719,000 respectively)	9,380,148	21,659,208
Inventories, at lower of first-in, first-out cost or market	110,057,659	97,064,392
Prepaid expenses and supplies	5,390,317	4,504,871
Total current assets	166,065,804	158,726,892
Investments (principally foreign affiliates)	29,128,229	6,736,242
Property, Plant and Equipment (at cost):		
Buildings	93,139,181	81,307,618
Equipment and leasehold improvements	197,929,497	173,764,859
	291,068,678	255,072,477
Less allowance for depreciation and amortization	115,061,479	102,189,367
	176,007,199	152,883,110
Land	34,353,870	29,987,353
Total property, plant and equipment	210,361,069	182,870,463
	$405,555,102	$348,333,597

LIABILITIES

	January 31, 1970	February 1, 1969
Current Liabilities:		
Notes payable	$ 11,000,000	$ —
Accounts payable and accrued expenses	67,107,778	58,574,900
Dividends payable	2,539,823	2,370,569
Accrued federal, state and local taxes	13,120,572	14,694,586
Accrued payrolls and profit sharing	14,987,993	14,711,959
Long-term indebtedness, due within one year:		
Direct obligations of Jewel Companies, Inc.	1,526,769	1,354,908
Obligations of real estate affiliates	2,853,995	2,367,976
Total current liabilities	113,136,930	94,074,898
Long-Term Indebtedness, due after one year:		
Direct obligations of Jewel Companies, Inc.	59,024,625	39,517,176
Obligations of real estate affiliates	51,902,389	48,229,284
Deferred Federal Income Taxes	13,648,062	11,375,932
Other Deferred Liabilities	3,692,548	2,491,517
Stockholders' Investment:		
Preferred stock—3¾% cumulative $100 par value—authorized and issued 48,000 shares at Jan. 31, 1970	4,800,000	4,800,000
Common stock—$1 par value—authorized 15,000,000 shares, issued 6,636,846 shares at Jan. 31, 1970	42,414,911	42,897,549
Accumulated earnings—Reserved for self-insured losses and general contingencies	1,250,000	1,250,000
Accumulated earnings—Unappropriated	117,514,529	105,966,142
Treasury stock at cost	(1,828,892)	(2,268,901)
Total stockholders' investment	164,150,548	152,644,790
	$405,555,102	$348,333,597

See accompanying notes to consolidated financial statements and description of accounting principles.

CONSOLIDATED INCOME ACCOUNT

AND ACCUMULATED EARNINGS/UNAPPROPRIATED

JEWEL COMPANIES, INC.

	52 Weeks Ended January 31, 1970	*52 Weeks Ended February 1, 1969*
Sales and Revenues:		
Supermarkets	$1,109,919,835	$1,016,654,869
Drug Stores	160,456,406	135,745,142
Direct Marketing Division	79,672,138	83,503,013
Self-Service Department Stores	76,361,789	58,991,375
Restaurants	14,962,814	15,600,200
Wholesale sales and services	22,944,728	22,224,784
Total Sales	1,464,317,710	1,332,719,383
Interest income	745,613	598,372
Total Sales and Revenues	1,465,063,323	1,333,317,755
Cost of Doing Business:		
Cost of goods sold	1,154,490,647	1,047,792,249
Selling, general and administrative expense	262,367,770	240,631,932
Provision for doubtful accounts	1,872,299	2,058,880
Interest on indebtedness for:		
Direct obligations of Jewel Companies, Inc.	3,440,379	2,393,153
Obligations of real estate affiliates	2,844,633	2,318,353
	1,425,015,728	1,295,194,567
Earnings Before Income Taxes	40,047,595	38,123,188
Provision for Income Taxes:		
State and local taxes	1,261,000	582,000
Federal taxes	18,175,000	17,630,000
	20,611,595	19,911,188
Foreign Net Earnings	804,743	109,908
Net Earnings for the Year	21,416,338	20,021,096
Per Common Share	*$3.22*	*$3.01*
Accumulated Earnings—Unappropriated, beginning of year	105,966,142	94,717,859
	127,382,480	114,738,955
Deduct:		
Cash dividends declared:		
Preferred stock	110,889	124,903
Common stock	9,757,062	9,081,811
Other transactions	—	(433,901)
	9,867,951	8,772,813
Accumulated Earnings—Unappropriated, end of year	$ 117,514,529	$ 105,966,142

See accompanying notes to consolidated financial statements and description of accounting principles.

CONSOLIDATED SOURCE AND USE OF FUNDS

JEWEL COMPANIES, INC.

	52 Weeks Ended January 31, 1970	52 Weeks Ended February 1, 1969
Source of Funds:		
Net earnings	$21,416,338	$20,021,096
Depreciation and amortization	17,630,017	15,674,964
Increase in deferred taxes, other deferred liabilities and sundry	3,473,161	1,288,220
	42,519,516	36,984,280
Increase in long-term debt (net):		
Operating companies	19,507,449	2,783,355
Real estate affiliates	3,673,105	8,261,974
	65,700,070	48,029,609
Use of Funds:		
Dividends to owners of the business	9,867,951	9,206,714
New property, plant and equipment (net):		
Operating companies	37,722,122	24,184,783
Real estate affiliates	7,398,501	11,742,791
Increase in investments	22,391,987	408,562
Purchase of capital stock (net)	42,629	1,246,831
	77,423,190	46,789,681
Decrease (increase) in Working Capital	$11,723,120	$ (1,239,928)

ACCOUNTANTS' REPORT

TO THE STOCKHOLDERS
AND BOARD OF DIRECTORS
JEWEL COMPANIES, INC.:

We have examined the accompanying consolidated balance sheet of Jewel Companies, Inc. and subsidiaries and real estate affiliates as of January 31, 1970, and the related statements of income and accumulated earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Jewel Companies, Inc. and subsidiaries and real estate affiliates at January 31, 1970, the consolidated results of their operations, and the source and use of funds for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 16, 1970

Touche Ross & Co.

PRINCIPLES APPLIED IN CONSOLIDATION

The consolidated financial statements include the accounts of Jewel Companies, Inc., its subsidiaries and its affiliated real estate corporations. (Jewel owns preferred stock convertible into 99% of the equity of the real estate affiliates.) The equity of the Company in the net assets of the consolidated subsidiaries and affiliated real estate corporations is the same as the carrying amount of the investments. Income from MIDCO, S.A., Mexico, is included in net income as earned less estimated U. S. tax to be paid upon repatriation. Income from G.B. Entreprises, Belgium, is included in net income (net of all taxes) as dividends are received. Substantially all intercompany transactions have been eliminated.

ACCOUNTS RECEIVABLE

As of January 31, 1970, the Company sold $13,909,305 of the Direct Marketing Division customer installment accounts receivable with recourse. The sale was made in order to defer the payment of income taxes on the gross profit in installment accounts receivable beginning in 1970.

PROVISION FOR DEPRECIATION

Straight-line depreciation over the useful lives of depreciable property is used for financial statement purposes. The useful lives approximate 37 years for buildings, 3 years for passenger cars, 6 years for trucks and trailers, 10 years for equipment and 17 years for leasehold improvements.

The depreciation expense for the year as recorded in the accounts is as follows:

	1969	*1968*
	(In thousands)	
Jewel Companies, Inc	$16,143	$14,413
Real estate affiliates	1,487	1,262
Total	$17,630	$15,675

INVESTMENTS

Affiliates:	
Investment in MIDCO, S A, Mexico, and its real estate affiliate at cost plus equity in undistributed earnings since acquisition	$22,425,526
Minority interest (18.2%) in Belgian affiliate—at cost (market value is approximately $13,900,000)	5,342,157
All other	1,360,546
	$29,128,229

The carrying basis of the investment in MIDCO, S.A., Mexico, and its real estate affiliate exceeds the Company's equity in the book value of underlying net assets at date of acquisition by approximately $14,750,000. After adjusting depreciation to U. S. standards and after providing for U. S. federal income taxes which would be payable upon repatriation of earnings, the Company's equity in net earnings of MIDCO, S.A. and its affiliate for the period from November 15, 1969 (date of acquisition) to year end was $556,000 and has been included in foreign net earnings.

NOTES PAYABLE

On December 8, 1969, in connection with the acquisition of an interest in MIDCO, S.A., the Company received the proceeds of an $11,000,000 loan from the London branches of U. S. banks due on December 31, 1970.

PROVISION FOR FEDERAL INCOME TAXES

The provision for federal income taxes includes the following:

	52 Weeks Ended Jan. 31, 1970	*52 Weeks Ended Feb. 1, 1969*
	(In thousands)	
Federal income tax incurred	$16,802	$18,318
Investment tax credit for the year	899	1,351
Taxes currently payable	15,903	16,967
Deferred taxes, resulting principally from accelerated depreciation	2 272	663
Total provision	$18,175	$17,630

Since 1964, investment tax credits have been reflected in income in the year in which they became available. Recent legislation has eliminated investment tax credits on capital additions contracted for subsequent to April 18, 1969.

LONG-TERM INDEBTEDNESS

Long-term indebtedness at January 31, 1970, was as follows:

	Rate	*Total Debt*	*Due In One Year*	*Maturities*
		(In thousands)		
Direct obligations of Jewel Companies, Inc :				
Insurance companies	6 875%	$20,000		1974-1993
Bank-administered trusts	4 50	20,000		1972-1987
Foreign banks	7 0-9.0	11,034		1973-1974
Insurance companies	2 85-5 00	5,004	$1,024	1970-1978
Mortgage notes	4 50-5.75	4,513	503	1970-1984
		60,551	1,527	
Obligations of real estate affiliates (average rate)	5 67	54,756	2,854	1970-1998

Long-term debt matures as follows (in thousands):

	Direct Obligations	Obligations of Real Estate Affiliates
1971	$ 741	$ 2,922
1972	1,981	3,048
1973	11,996	3,163
1974	4,566	3,238
1975 and thereafter	39,740	39,531
	$59,024	$51,902

The long-term debt of the real estate affiliates is not a direct obligation of Jewel Companies, Inc., but is secured by the assignment of lease agreements between Jewel and these affiliates and will be fully amortized during the firm term of each lease, generally 20 years.

The Company has taken down $20,000,000 of a $30,000,000 loan commitment from three insurance companies under an agreement negotiated in 1967. The balance of the loan will be received in 1970. Terms of the agreement specify an interest rate of 6⅞% and require repayment of $1,500,000 each year, beginning in 1974, through 1993.

During 1969, $11,034,000 was borrowed overseas principally in connection with the acquisition of an interest in MIDCO, S.A., Mexico, and its real estate affiliate and the exercise of stock rights in G.B. Entreprises, Belgium. Of this amount, $1,034,000 was borrowed at an interest rate of 7% and matures in 1974. A $10,000,000 loan, maturing in 1973, bears interest at an adjustable rate equal to 3% above the discount rate of the Central Bank of Western Germany, with minimum and maximum rates set at 7½% and 10% respectively.

Under terms of the most restrictive of the Company's existing loan agreements, $20,885,000 of accumulated earnings are not restricted for the payment of cash dividends on common stock.

PREFERRED STOCK

Under the sinking fund provisions relating to the preferred stock, Jewel must acquire annually on or before each June 30 at least 1,500 shares. As of January 31, 1970, there were 18,547 shares in the treasury at a cost of $1,277,953, approximately $69 per share, covering the sinking fund requirements through June 30, 1979. The preferred stock may be redeemed in whole or in part on 30 days' notice at $103 per share, plus accrued dividends.

COMMON STOCK

Common stock transactions during the year were as follows:

	Shares	Amount
	(In thousands)	
Balance at beginning of year	6,635	$42,898
Issued for stock options	2	55
Other transactions	*	(538)
Balance, January 31, 1970	6,637	$42,415

**Treasury stock was used for certain issues, as shown in the table below.*

Transactions in common shares in the treasury during the year were as follows:

	Shares	Amount
	(In thousands)	
Balance at beginning of year	22	$ 1,019
Purchases	28	1,386
	50	2,405
Issued for:		
Employee Stock Purchase Plan	12	575
Stock Options	27	1,279
Total	39	1,854
Balance, January 31, 1970 (average per share $49.13)	11	$ 551

At January 31, 1970, there were 355,343 shares of common stock reserved, of which 110,186 shares were for employee stock purchase plan purchases and 245,157 shares were for stock options described in the following table:

	Number of Shares		
	Reserved	Granted	Available
Balance at beginning of year	274,025	159,318	114,707
Granted	—	83,000	(83,000)
Exercised	(28,868)	(28,868)	—
Balance, January 31, 1970	245,157	213,450	31,707
Options exercisable at January 31, 1970		89,750	

Outstanding options were granted at prices ranging from $26.38 to $53.50 per share, the approximate market price on the date of grant, become exercisable in equal installments over a four-year period and expire from five to ten years from the date of grant.

LEASE COMMITMENTS

Rentals for leased properties, primarily retail locations (excluding those leased from real estate affiliates), were $12,981,000 in 1969 and $12,612,000 in 1968 including rentals based on sales where applicable. As of January 31, 1970, the leases call for minimum payments of approximately $12,979,000 for fiscal 1970. Of this annual amount, 23% will have expired by the end of five years, 50% by the end of 10 years, 80% by the end of 15 years, and 95% by the end of 20 years.

CONSOLIDATED TEN YEAR FINANCIAL SUMMARY

JEWEL COMPANIES, INC.

(Total dollars in thousands except per share figures)

*For the Year**	*1969*	*1968*	*1967†*
Total sales and revenues	$1,465,063	$1,333,318	$1,244,970
Earnings:			
Before income taxes	$ 40,048	$ 38,123	$ 31,828
Foreign net earnings	805	110	—
Net for the year	21,416	20,021	17,591
Earnings per common share**	3.22	3.01	2.64
Dividends per common share**	1.45	1.35	1.25
Retained earnings	$ 11,548	$ 10,814	$ 9,004
Depreciation	17,630	15,675	14,587
New property, plant and equipment (net):			
Operating companies	$ 37,722	$ 24,185	$ 25,673
Real estate affiliates	7,399	11,743	5,050
*At the Year End**			
Net working capital	$ 52,929	$ 64,652	$ 62,366
Total assets	405,555	348,334	312,980
Long-term debt, due after one year:			
Jewel Companies, Inc. direct obligations	$ 59,024	$ 39,517	$ 36,734
Real estate affiliates	51,902	48,229	39,967
Preferred stock	2,945	2,993	4,503
Common stockholders' equity	161,206	149,652	138,141
Equity per common share**	24.33	22.63	20.92
Average number of common shares outstanding** (in thousands)	6,613	6,605	6,608

*In May, 1962, the fiscal year of the Company was changed to the Saturday nearest January 31 from the Saturday nearest December 31.

†53-week year; other years 52 weeks.

**Adjusted for stock splits and stock dividends.

1966	1965	1964	1963	1962†	1961	1960
$1,060,753	$ 934,238	$ 845,086	$ 799,271	$ 753,034	$ 678,858	$ 632,575
$ 29,314	$ 28,980	$ 26,773	$ 24,317	$ 26,777	$ 25,108	$ 25,425
—	—	—	—	—	—	—
16,476	16,198	14,732	12,325	12,934	12,183	12,075
2.47	2.45	2.23	1.86	1.96	1.88	1.90
1.20	1.13	1.07	1.07	1.07	1.00	.93
$ 8,221	$ 8,407	$ 7,639	$ 5,311	$ 6,335	$ 6,243	$ 6,780
12,989	11,829	10,643	9,725	8,762	7,925	7,298
$ 21,739	$ 17,080	$ 18,451	$ 14,772	$ 17,333	$ 11,507	$ 10,956
10,080	3,728	5,283	9,725	6,535	3,255	3,159
$ 64,621	$ 64,336	$ 59,789	$ 66,168	$ 43,455	$ 50,412	$ 49,842
285,269	270,604	251,413	235,579	199,370	185,091	172,371
$ 35,371	$ 33,066	$ 34,749	$ 37,624	$ 16,145	$ 18,459	$ 21,201
37,321	32,421	27,704	25,729	16,644	14,172	12,059
4,726	4,764	4,913	5,095	5,374	5,537	5,691
129,797	118,767	110,283	102,023	96,557	88,305	79,273
19.61	18.16	16.88	15.68	14.85	13.65	12.53
6,603	6,526	6,521	6,504	6,496	6,383	6,227

Corporate Officers

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This report is submitted to the shareholders of the Corporation for their information and is not intended to be used in connection with the sale of or offer to sell any securities, nor is it intended to be information to be included in a prospectus within the meaning of the provisions of the Federal Securities Act of 1933, as amended.

ANNUAL MEETING
The annual meeting of shareholders will be held at 2:00 p.m. on Wednesday, June 17, 1970 at the Sheraton Boston Hotel, Boston, Massachusetts.

TRANSFER AGENTS
Manufacturers Hanover Trust Company, 4 New York Plaza, New York, New York 10015.
Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60690.

REGISTRARS
Bankers Trust Company, 16 Wall Street, New York, New York 10015.
The First National Bank of Chicago, One First National Plaza, Chicago, Illinois 60670.

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